



Public Retirement Systems Committee

Wednesday, October 31 (MFPRSI)

League Legislative Priority:

Control Pension Costs: Control public pension costs – limit any increased requirements imposed upon local governments relating to public pension cost, including state support of Municipal Fire and Police Retirement System (MFPRSI).

Background: In 2008, Legislators will address numerous pension issues. The League's members want to ensure the integrity, and long term sustainability of the state pension systems, while controlling significant costs that affect their citizens. The current Municipal Fire and Police Retirement System (MFPRSI) funding distribution falls heavily on the shoulders of cities. The League advocates a fair funding distribution between employer, employee and the state.

MFPRSI Discussion Points:

- **Inequitable System**-The current funding structure for the 411 system creates an unusual reliance on city contributions. The League advocates for a more equitable funding distribution.
- **Rates**-City contributions act as the "safety valve" when the actuarial assessments call for increases in contribution rates, or when benefits are expanded. Recent rate decreases caused by strong investment performance and wage increases may not continue in the future. This economic uncertainty makes it crucial that benefits not be expanded at this time. The League also supports the elimination of the 17% floor on city contribution rates.
- **Benefits Expansion**-Costs of any future benefits expansions should be borne more equitably, and not solely by cities.
- **Property Tax Link**-Savings or cost increases in MFPRSI contribution rates have a direct link to city property taxes. Many cities are already at the \$8.10 levy limit, and must use the additional special revenue levy to fund MFPRSI. The recent drop in the city contribution rate (from 25.48% to 18.75%) translates into almost \$3 million that the City of Des Moines will not have to levy in property taxes, to fund MFPRSI. Similarly, the drop represents \$900,000 to the city of Waterloo. This does not generate additional revenue for the cities, because the special revenue levy only funds the 411 system.

*For additional information or questions concerning the League's position on this issue, please contact **Alan Kemp**, Acting Executive Director at (515) 974-5315 or **Jessica Harder**, Governmental Affairs Counsel at (515) 974-5312.*